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MONTANA MEDICAL LEGAL PANEL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 1997 AND 1996

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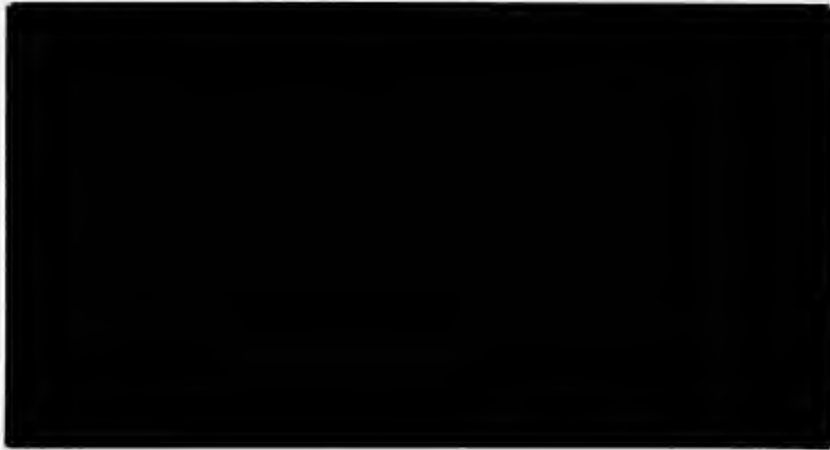


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MONTANA MEDICAL LEGAL PANEL

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 1997 AND 1996

LEGISLATIVE AUDIT DIVISION

t, Legislative Auditor

John W. Northey, Legal Counsel

Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:

Jim Pellegrini, Performance Audit

James Gillett, Financial-Compliance Audit

June 1998

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Montana Medical-Legal Panel, Montana Supreme Court, for the year ended December 31, 1998.

The audit was conducted by Henry Fenton, Certified Public Accountant, under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat

Legislative Auditor

98C-01

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MONTANA MEDICAL LEGAL PANEL

ADMINISTRATIVE OFFICIALS

G. Brian Zins

Director

Lavonne J. Arnold

Assistant Director

MONTANA MEDICAL LEGAL PANEL
December 31, 1997

SUMMARY OF RECOMMENDATIONS

There were no recommendations for the year ended December 31, 1997.

HENRY FENTON
CERTIFIED PUBLIC ACCOUNTANT

1052 NORTH RODNEY
HELENA, MONTANA 59601-3578

—
TELEPHONE: (406) 449-6049

INDEPENDENT AUDITOR'S REPORT

May 15, 1998

Mr. G. Brian Zins, Director
Montana Medical Legal Panel
2021 Eleventh Avenue
Helena, Mt. 59601


I have audited the accompanying statement of assets, liabilities, and surplus arising from cash transactions of the Montana Medical Legal Panel as of December 31, 1997 and 1996, and the related statement of revenues collected, expenses paid, and changes in surplus arising from cash transactions for the two years then ended. These financial statements are the responsibility of the management of the Montana Medical Legal Panel. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Montana Medical Legal Panel's policy is to prepare its financial statements on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and surplus arising from cash transactions of the Montana Medical Legal Panel as of December 31, 1997 and 1996 and its revenues collected, expenses paid, and changes in surplus for the two years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated May 15, 1998 on my consideration of the Montana Medical Legal Panel's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.


Henry Fenton
Certified Public Accountant

**MONTANA MEDICAL LEGAL PANEL
STATEMENT OF ASSETS, LIABILITIES, AND SURPLUS
ARISING FROM CASH TRANSACTIONS
DECEMBER 31, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
ASSETS		
Current assets:		
Cash in bank	\$115,640	\$78,428
Accounts receivable	<u>289</u>	<u>-</u>
Total current assets	<u>\$115,929</u>	<u>\$78,428</u>
 LIABILITIES AND SURPLUS		
Surplus	<u>\$115,929</u>	<u>\$78,428</u>

See accompanying notes to financial statements.

MONTANA MEDICAL LEGAL PANEL
STATEMENT OF REVENUES COLLECTED, EXPENSES PAID, AND CHANGES IN SURPLUS
ARISING FROM CASH TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
Income:		
Assessment fees	\$496,501	\$549,272
Interest income	7,335	7,391
Miscellaneous income	240	632
 Total income	 <u>504,076</u>	 <u>557,295</u>
Expenses:		
Administrative	162,264	162,264
Panelist hearing time	88,064	105,160
Panelist preparation and travel time	43,742	50,767
Panelist travel	55,221	56,542
Temporary personnel	8,530	1,394
Meeting rooms	7,498	8,468
Records reproduction	36,288	33,728
Postage	14,969	17,114
Medical records and x-rays	14,171	14,258
Telephone	8,762	13,059
Office supplies	3,281	2,254
Panel legal counsel	7,008	8,175
Legal defense	7,359	10,564
Computer software	3,556	8,057
Liability insurance	2,916	3,630
Miscellaneous	2,946	3,160
 Total expenses	 <u>466,575</u>	 <u>498,594</u>
 Net income (loss)	 37,501	 58,701
 Surplus, January 1st	 78,428	 19,727
 Surplus, December 31st	 <u>\$115,929</u>	 <u>\$78,428</u>

See accompanying notes to financial statements.

**MONTANA MEDICAL LEGAL PANEL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND 1996**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization

the Panel was established by the "Montana Medical Legal Panel Act", as authorized by Section 27-6-101 and 104 M.C.A. The Panel is attached to the Montana Supreme Court for administrative purposes only, except that 2-15-121(2) M.C.A. does not apply.

The Panel was created to review all malpractice claims or potential claims against health care providers for the purpose of preventing, where possible, the filing of court actions against health care providers and their employees for professional liability in situations where the facts do not permit at least a reasonable inference of malpractice and to make possible the fair and equitable disposition of such claims against health care providers as are or reasonably may be well founded.

Cash Basis

The Panel follows the cash basis of accounting whereby items of expense are recognized as cash is paid and revenues are recognized when cash is received.

Assessment Fees

Annual assessments are levied against licensed physicians, dentists, hospitals, and other health care facilities in an amount sufficient to meet all panel costs. Annual assessments are apportioned among each group of health care providers according to the number of claims brought against each type of provider.

NOTE 2. CASH DEPOSITS

Cash in bank consists of deposits in one checking account and two savings accounts. The deposits are fully insured.

NOTE 3. RELATED PARTIES

G. Brian Zins is director of both the Montana Medical Association and the Montana Medical Legal Panel. The Montana Medical Association bills the Montana Medical Legal Panel for services and facilities provided to that organization. The billings were \$162,264 in 1997 and 1996.

**MONTANA MEDICAL LEGAL PANEL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1997 AND 1996**

NOTE 4. CONTINGENCY

The Montana Medical Legal Panel has been named in a lawsuit claiming damages resulting from a decision of a review panel in a claim against a health care provider brought before the Panel. Management believes that the outcome of the suit will be favorable and will not result in a significant loss to the Panel. However, the Panel has incurred legal costs in answering the charges in the lawsuit and will continue to incur such costs until the case is either settled or dismissed. The total amount of such costs that will be incurred cannot be determined or estimated.

NOTE 5. RISK MANAGEMENT

The Panel is exposed to risk of loss primarily through possible errors and omissions pertaining to claims filed with the Panel. This risk is transferred through the purchase of a professional liability policy from a private insurance carrier.

HENRY FENTON
CERTIFIED PUBLIC ACCOUNTANT

1052 NORTH RODNEY
HELENA, MONTANA 59601-3578

TELEPHONE: (406) 449-6049

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

May 15, 1998

Mr. G. Brian Zins
Montana Medical Legal Panel
2021 Eleventh Avenue
Helena, Mt. 59601

I have audited the financial statements of the Montana Medical Legal Panel as of and for the two years ended December 31, 1997, and 1996 and have issued my report thereon dated May 15, 1998. I conducted my audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Montana Medical Legal Panel's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

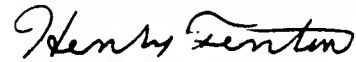
In planning and performing my audits, I considered the Montana Medical Legal Panel's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be a material weakness.

Status of Prior Year Findings

There were no findings in the prior year's report.

This report is intended for the information of the legislative audit committee and management. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Henry Fenton".

Henry Fenton
Certified Public Accountant

Montana Medical Legal Panel

2021 Eleventh Avenue, Suite 1, Helena, Montana 59601-4890 • FAX (406) 443-4042 • Telephone 443-1110

May 15, 1998
Friday

Mr. Scott A. Seacat
Legislative Auditor
P. O. Box 201705
Helena, Montana 59620-1705

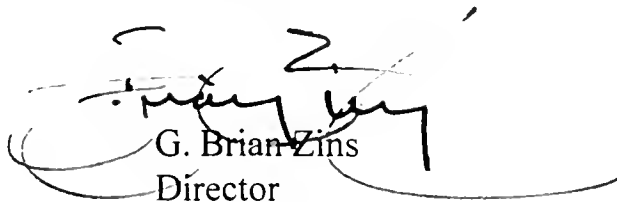
Dear Mr. Seacat:

As Director of the Montana Medical Legal Panel, I am corresponding with you about the recently completed audit of the Panel by Henry Fenton, C.P.A.

We have reviewed the audit and believe it accurately represents the financial records of the Panel for the 1997 fiscal year.

All best wishes.

Sincerely,



G. Brian Zins
Director

GBZ:ba

